

State of Maine	)	Docket No. 98-865
Public Utilities Commission	)	
	)	
Maine Public Service Company	)	March 25, 1999
Annual Increase In Rates,	)	
Pursuant to Rate Stabilization Plan	)	Stipulation

The undersigned, being all of the parties to this proceeding, agree as follows:

1. Purpose. This Stipulation is intended to resolve all issues concerning the 1999 Annual Price Increase pursuant to a November 6, 1995 Stipulation in Docket No. 95-052 establishing a Rate Stabilization Plan (RSP) for Maine Public Service Company (MPS) and approved by the Commission by Order dated November 30, 1995. As evidenced by their signatures on this Stipulation, the undersigned agree that this Stipulation is reasonable and should be adopted by the Commission.
  
2. Procedural History. Pursuant to Section 2 of the RSP, MPS's 1999 Annual Rate Increase is scheduled to become effective on February 1, 1999. On November 13, 1998, MPS moved the Commission to permit the increase to become effective April 1, 1999, allowing the Commission a prior opportunity to decide MPS's proposed sale of its generating assets (Docket No. 98-584). The Company stated that a decision in Docket No. 98-584 permitting the sale proceeds could allow it to delay at least a portion of the Annual Rate Increase. The Commission granted this motion by Order dated December 15, 1998, subject to the condition that the two-month delay would not compromise MPS's ability to recover any amounts due it under the RSP.
  
3. Issues for Resolution. The parties agree that the only issues for resolution in this proceeding are the amounts of the Specified Increase due MPS pursuant to Section 2 of the RSP and the amount of MPS's recoverable net Maine Yankee replacement power costs under Section 7 of the RSP, together with the timing and manner of their recovery.

4. Specified Increase. Pursuant to Section 2 of the RSP and Section 6 of a January 15, 1998 Stipulation in Docket No. 97-830 (MPS's 1998 Annual Rate Increase), MPS is entitled to recover in rates approximately \$1,680,000 over the remaining eleven months of the rate plan until March 1, 2000 or an increase of 3.66%, representing the Specified Increase portion of the Annual Rate Increase under the RSP.

If the Commission does approve the sale of MPS's generating assets in Docket No. 98-584, the parties agree that retail rates will not be increased on April 1, 1999, as a result of the RSP's Specified Increase provision. Instead, MPS will recognize the revenues this increase would generate on its books of account and will record a corresponding deferred asset, representing the uncollected revenues receivable from customers. MPS will continue to recognize these revenues based on monthly sales and record a corresponding deferred asset. The parties to this stipulation recommend allowing the use in rates of available value from the asset sale, subject to the Commission's decision in Docket No. 98-577. From the date of the Commission's decision in Docket No. 98-577 allowing the recommended treatment by the parties until March 1, 2000, MPS will recognize monthly revenues as described above, but instead of recording the revenues as a deferred asset will offset available value from the generating asset sale proceeds. Any deferred asset recorded on MPS's books prior to the Commission's decision allowing the use of available value will be eliminated on March 1, 2000 by offsetting available value.

If the Commission does not approve the sale of MPS's generating assets in Docket No. 98-584, this increase shall become effective on April 1, 1999 and represents an increase of 3.66% in retail rates.

5. Maine Yankee Replacement Power Costs. Under Section 7 of the RSP, MPS is entitled to recover, as part of its Annual Rate Increase, an amount equal to 50% of the net purchased power cost incurred to replace its Maine Yankee entitlement after that unit has been off line for six

months. Under Section 5 of the Stipulation in Docket No. 97-830, MPS shall apply to the 1998 Maine Yankee replacement power costs any savings during the same period resulting from the renegotiation of the Wheelabrator-Sherman Power Purchase Agreement, as approved by the Commission in Docket No. 97-727.

The parties initially disagreed on the amount of Maine Yankee replacement power costs MPS would be allowed to recover in this proceeding. The basis of the dispute centered on the recognition of changes to the test year capacity costs, with the OPA claiming that any Section 7 recovery should be offset by decreases in the cost of Maine Yankee capacity, even though the prior Section 7 recovery reviewed in Docket No. 97-830 had not recognized increases in capacity costs. The parties agree that the following compromise is in the best interest of both the Company and its customers. The Company will continue to defer through February 29, 2000, Maine Yankee replacement power costs using the same method as it has in the past, offset by the Wheelabrator-Sherman savings, as prescribed in Docket No. 97-727. The Company will continue to amortize the remaining portion of Maine Yankee deferred replacement cost in the manner authorized by Docket No. 97-830 and will, in addition, begin to amortize \$1,650,000 of its deferred Maine Yankee replacement power costs in eleven equal monthly amounts of \$150,000 beginning April 1, 1999.

If the Commission does approve the sale of MPS's generating assets in Docket No. 98-584, then the parties agree that MPS shall not increase its retail rates on April 1, 1999 to reflect any amounts due under Section 7 of the RSP. Instead, these amounts shall be deferred as described in the preceding paragraph. Beginning on March 1, 2000, they shall be collected in rates by being offset by a corresponding amount of available value as allowed in Docket No. 98-577.

If the Commission does not approve the sale of MPS's generating assets in Docket No. 98-584, the Company shall be allowed to increase its rates on April 1, 1999 by 2.07% to reflect in rates the recovery of the Section 7 amounts described in this Article 5. The Company shall defer as a regulatory asset on its books of account all Maine Yankee net replacement power in the matter described above for subsequent collection in retail rates and record the agreed amount of amortization, i.e. \$150,000 per month, through February 29, 2000. The manner of that collection shall be determined in Docket No. 98-577.

6. Stipulation Not Precedential. The making of this Stipulation by the parties shall not constitute precedent or any matter of law or fact, nor shall prevent any party from making any contention or exercising any rights, including rights of appeal, in any other Commission proceeding or investigation or in any other trial or action.

In Witness Whereof, the parties have consented to this Stipulation to be signed.

OFFICE OF THE OPA

March \_\_, 1999

By: \_\_\_\_\_  
Its

MAINE PUBLIC SERVICE COMPANY

March 25, 1999

By: \_\_\_\_\_  
Larry E. LaPlante  
Its Vice President, Administration  
and Treasurer